

**TRUSTEES OF THE NASHUA PUBLIC LIBRARY OF
NASHUA, NEW HAMPSHIRE**

Statement of Investment Objectives and Guidelines

1. Purpose of the Investment Policy Statement:

This Statement of Investment Objectives and Guidelines was developed to assist the Trustees of the Nashua Public Library of Nashua, N.H. hereafter referred to as the "Trustees" in carrying out their fiduciary responsibility to provide investment management oversight of the endowment fund assets. It is necessary for the Trustees, and those who manage assets on their behalf to have a clear, mutual understanding of the purpose and objectives in managing the assets. To this end, this document will:

Establish formal yet flexible investment guidelines incorporating prudent asset allocation and realistic total return goals;

Identify standards of investment performance which are historically achievable and by which the Investment Manager agrees to be measured;

Outline the investment related responsibilities of the Trustees and the Investment Manager retained to manage the assets;

- Provide a framework for regular constructive communication between the Trustees and the Investment Manager.

2. Purpose of the funds:

The purpose of the funds is to provide resources above those provided by the City of Nashua for the purpose of providing material and programs and the completion of projects that enhance the library and its collections in order to better serve the citizens of Nashua.

3. Objectives

The Trustees have adopted a moderate, growth-oriented investment policy. It is anticipated that this policy will achieve the following specific investment objectives:

- Preserve the value of plan assets; defined by not violating corpus and by growing the assets by at least the rate of inflation over consecutive 3-year periods.
- Seek to achieve a real rate of return over the rate of inflation; See #1 above, and possibly add, CPI + 2% or 3% over rolling three year.

Conform with RSA 387:6a, and the General Standards of Prudent Investment, NH RSA 564-A:3-b (Prudent Investor Act – effective date January 1, 1999).

6. Asset Allocation

The Trustees recognize the need to diversify plan investments and has identified two types of investments as appropriate for the plan: equities and fixed income investments (add special opportunity asset classes such as precious metals, commodities, REITs, etc.). Under the moderately growth oriented balanced investment policy, a significant portion of the assets have been allocated to equities and fixed income. The fixed income holdings provide a stable base, serving to mitigate return volatility. The Trustees believe that the following asset mix will produce a pattern of returns over time that will conform to the desired return requirement and risk tolerance

ASSET ALLOCATION

<u>Asset Class</u>	<i>Minimum</i>	<i>Target</i>	<i>Maximum</i>
Equities	40%	50%	60%
Fixed Income Investments	30%	40%	50%

Cash equivalents may be held in lieu of any asset class at the discretion of the Investment Manager. However, the total cash position should not exceed 15% of the portfolio.

7. Investment Guidelines

The Trustees will establish guidelines for the Investment Manager in order to specify the level of risk in terms of (standard deviation, up/down market capture ratio, beta, or Sharpe ratio) that is acceptable in the investment portfolios. It is expected that the Investment Manager will adhere to these guidelines, unless modifications have been authorized in writing by the Trustees.

EQUITY GUIDELINES

Risk: It is understood that in order to achieve a rate of return greater than the Standard & Poor's 500 Index for the equity portfolio, it may be necessary to posture a commensurate or higher risk level higher than such Index. Both variability of return and volatility of return may deviate from the market on a continuing basis. It must be understood, however, that portfolio risk levels substantially higher than the Index over an extended period of time are to be avoided without prior consultation with the Trustees.

Diversification: No more than 5% of the portfolio's market value shall be invested in any one company. At no time shall the portfolio hold more than 2% of the outstanding voting stock of a company. The percentage of the portfolio invested in any one economic sector shall not differ from the S&P 500s weighting in that sector by more than ten percentage points.

Turnover: There will be no specific guidelines with regard to portfolio activity. However, turnover will be monitored to ensure it has a positive impact on portfolio performance

Commissions: The Investment Manager will try to minimize brokerage commissions subject to obtaining best execution and shall be subject to the determination of the Trustees regarding the reasonableness of any fees received, thereby.

Permissible Investments

- Common stocks listed on a major U.S. exchange or traded On NASDAQ, including foreign securities listed on U.S. exchanges, provided they are on the approved list of the investment manager and are considered suitable equity investments for fiduciary (trustee) accounts and conform to RSA 387:6a.
- Mutual funds that invest primarily in foreign securities provided they meet the requirements of New Hampshire RSA387:14.
- Mutual funds that invest in small and mid-cap securities provided they meet the requirements of New Hampshire RSA 387:14.
- Exchange traded funds
- Preferred stocks or securities convertible into common stocks, provided such securities or the underlying common stock of such company are rated among the three highest ratings of one or more rating services as defined in RSA 387:1 XVI.

Excluded Investments

- Futures or options positions;
- Short sales;
- Securities denominated in foreign currencies;
- Margin purchases, lending or borrowing of funds;
- Letter stock, private or direct placements;
- Limited Partnerships, illiquid investments, thinly traded securities,
- Commodities contracts;
- Securities of the Investment Manager, the Trustees, their parents or subsidiaries (excluding money market funds), or any other security that could be considered a

self-dealing transaction.

FIXED INCOME GUIDELINES

Risk: With respect to the cash equivalent and fixed income portions of the account, the quality ratings of Standard & Poor's and Moody's will be the primary guide, as will be defined below.

Diversification: Except for debt securities issued or guaranteed by the United States, its agencies, or instrumentalities; no more than 5% of the portfolio's Market value shall be invested in the securities of any one issuer and no more than 20% of the portfolio shall be invested in any one industry sector.

Maturity: Depending on changing interest rate cycles, the average effective maturity of the bond portfolio may be 8 to 12 years, and no individual bond effective maturity is to exceed 25 years.

Quality: All securities must carry a rating of at least A by Standard & Poor's or Moody's. Commercial paper must be rated at least A-1 by Standard & Poor's or P-1 by Moody's. If issues are downgraded so as to violate these guidelines, the Managers must either seek written approval from the Trustees to continue holding the security or should judiciously liquidate it.

Permissible Investments

- Debt securities issued or guaranteed by the United States, its agencies or instrumentalities;
- Mutual funds that invest in short or mid-term fixed income securities provided they meet the requirements of New Hampshire RSA 387:14.
- Corporate bonds, debentures, and other forms of corporate debt obligations, provided they are rated "A" or better by Standard & Poor's or Moody's.
- Indexed notes, floaters, variable rate obligations and mortgage, and asset-backed securities, provided they are rated "A" or better by Standard & Poor's or Moody's. Exception: Floating rate securities at BBB.
- Cash equivalents including obligations of the United States government and its agencies, commercial paper, banker's acceptance, and prime quality short-

term money market investment funds, provided they are rated ¹¹A-1 ¹¹ by Standard & Poor's or ¹¹P-1 ¹¹ by Moody's.

- Certificates of deposits provided such certificates are fully insured in accordance with current F.D.I.C. or FSLIC regulations.
- Convertible securities, provided the underlying company stocks are rated in the three highest ratings of one or more rating services as defined in RSA 387:1 XVI.

Excluded Investment

- Securities denominated in foreign Currencies; Securities of the Investment Manager, the Trustees, their parents or subsidiaries (excluding money market funds), or any other security that could be considered a self-dealing transaction

8. Performance Standards:

The Investment Manager is expected to achieve long-term investment performance objectives over a full market cycle of approximately three to five years. The Investment Managers' performance will be reviewed quarterly to ensure compliance with these standards.

EQUITIES

Long-Term: Exceed the return on the Standard & Poor's 500 Stock Index and/or relevant peer group.

FIXED INCOME

Long-: Exceed the return on the Barclays/Corporate Intermediate Bond Index.

TOTAL FUND

Long-Term: Exceed the return on a composite index comprised of the S&P 500 Stock Index and the Barclays Gov't/Corporate Intermediate Bond Index as a percentage of debt investments to equity

9. Responsibilities

The Trustees acknowledge their responsibility as endowment fund fiduciaries. In this regard, they must act prudently and for the exclusive interest of the fund. More specifically, the Trustees' responsibilities include:

Compliance To comply with the provisions of the various N.H. RSA statutes referred to in this document.

Standards To develop investment objectives, guidelines, and performance measurement standards which are consistent with the fund's goals.

Appointments To evaluate and appoint an Investment Manager as needed to invest and manage fund assets.

Communication To communicate investment goals, objectives, and standards to the Investment Manager, including any material changes that may subsequently occur. This should be done at a minimum on an annual basis.

Manager Funding To deploy existing assets and new monies to the Investment Manager.

Evaluation To review and evaluate investment results semi-annually in the context of established performance standards.

Corrective Action: To take whatever action is deemed prudent and appropriate when the Investment Manager fails to meet mutually-accepted performance standards.

The Investment Manager, in recognition of their role as a fiduciary of the fund, shall assume the following responsibilities:

Investment Responsibility: To issue/propose investment recommendations with respect to the assets under management.

Compliance To comply with this statement and any other written instructions provided by the Trustees. Furthermore, to adhere to the prudent investor and diversification of investments provisions of the State of New Hampshire RSA 564-A:3-b, RSA 387:6a, RSA 387:1 XVI and New Hampshire RSA 387:14 as well as all federal regulations pertaining to the investment of such assets.

Voting of Proxies To vote all proxies with respect to stock owned in the fund unless directed otherwise by the Trustees.

Notification of Changes To inform the Trustees of any material changes in the Manager's outlook, policy, tactics, or in the firm's structure including ownership, financial condition, and personnel changes.

Reporting To provide a quarterly report, listing of all holdings and transactions to the Trustees. Additionally, provide periodically a report comparing portfolio performance to the relative indices. Finally, provide *factsheets for any proposed purchases*, obtain investment approvals by email, and extend invitations to Economic/Market presentations in the region.

Availability for Meetings To meet at such times as the Trustees may reasonably request to discuss investment outlook, performance, strategy and tactics, organizational and personnel changes, and other pertinent matter.

Date: April 2, 2013

Signatures:

Trustees	Witness
Linda Blaffam	
Melvin Lee	
Pauline H. Desautels	
RH	
Kath M. Verano	
Arthur L. Barrett, Jr.	